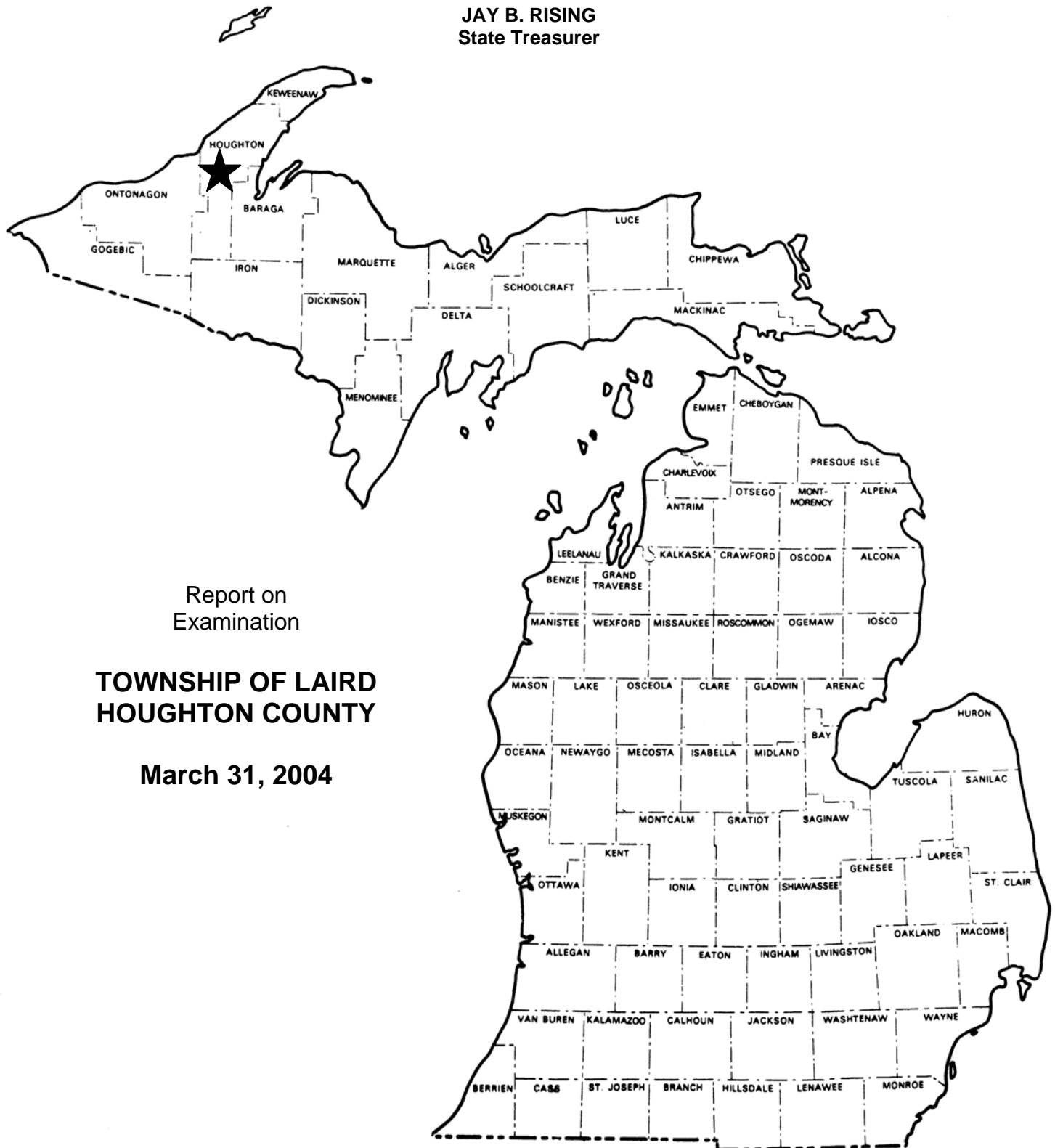


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY

JAY B. RISING
State Treasurer



Report on
Examination

**TOWNSHIP OF LAIRD
HOUGHTON COUNTY**

March 31, 2004

Local Audit and Finance Division
Bureau of Local Government Services

LAIRD TOWNSHIP--HOUGHTON COUNTY

TOWNSHIP BOARD

Duane Dedie
Supervisor

Elaine Vassel
Clerk

Kim Fedie
Treasurer

Edward Hulkonen, Jr.
Trustee

Pat Spencer
Trustee

TOWNSHIP POPULATION--2000

584

STATE EQUALIZED VALUATION--2003

\$14,744,780



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

September 17, 2004

Township Board
Laird Township
P.O. Box 9
Nisula, Michigan 49952

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying general purpose financial statements of Laird Township, Houghton County, Michigan, as of and for the year ended March 31, 2004, as listed in the Table of Contents. These general purpose financial statements are the responsibility of Laird Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Laird Township, Houghton County, as of March 31, 2004 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2004, on our consideration of Laird Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

We conducted our audit for the purpose of forming an opinion on the general purpose financial statements of Laird Township, taken as a whole. The accompanying supplemental and related information in Exhibits D through I are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected

Township of Laird (Houghton)

September 17, 2004

Page 2

to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements, taken as a whole.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', is positioned above the printed name.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

LAIRD TOWNSHIP--HOUGHTON COUNTY

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LAIRD TOWNSHIP--HOUGHTON COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
March 31, 2004

EXHIBIT A

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUP	
	General	Special Revenue	Trust and Agency	General Fixed Asset	Total (Memorandum Only)
<u>ASSETS</u>					
Cash	\$ 81,076	\$ 79,131	\$ 9,503		\$ 169,710
Investments	40,725	10,166			50,891
Receivables					
Taxes--Delinquent	2,044	5,393			7,437
Due From State	6,427				6,427
Due From Other Funds	362	653			1,015
Property, Plant and Equipment				\$ 217,590	217,590
Total Assets	<u>\$ 130,634</u>	<u>\$ 95,343</u>	<u>\$ 9,503</u>	<u>\$ 217,590</u>	<u>\$ 453,070</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities					
Due to Local Units of Government			\$ 8,451		\$ 8,451
Due to Other Funds			1,015		1,015
Due to Others			37		37
Accrued Liabilities	\$ 3,480	\$ 12			3,492
Total Liabilities	<u>3,480</u>	<u>12</u>	<u>9,503</u>	<u>\$ -</u>	<u>12,995</u>
Fund Equity					
Investment in General Fixed Assets				217,590	217,590
Fund Balances					
Unreserved--Undesignated	127,154	95,331			222,485
Total Fund Equity	<u>127,154</u>	<u>95,331</u>	<u>-</u>	<u>217,590</u>	<u>440,075</u>
Total Liabilities and Fund Equity	<u>\$ 130,634</u>	<u>\$ 95,343</u>	<u>\$ 9,503</u>	<u>\$ 217,590</u>	<u>\$ 453,070</u>

The Notes to Financial Statements are an integral part of this statement.

**LAIRD TOWNSHIP--HOUGHTON COUNTY
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended March 31, 2004**

EXHIBIT B

	GOVERNMENTAL FUND TYPES		Total (Memorandum Only)
	General	Special Revenue	
Revenues			
Taxes and Penalties	\$ 24,092	\$ 75,850	\$ 99,942
State Grants	52,016	523	52,539
Charges for Services	8,960	7,521	16,481
Interest and Rentals	2,602	1,677	4,279
Other	2,200	4,175	6,375
Total Revenues	89,870	89,746	179,616
Expenditures			
Current			
Legislative	4,872	-	4,872
General Government	49,389	-	49,389
Public Safety	1,292	12,880	14,172
Public Works	26,658	106,530	133,188
Health and Welfare	-	11,276	11,276
Recreation and Cultural	3,396	969	4,365
Other	725	-	725
Capital Outlay	972	-	972
Total Expenditures	87,304	131,655	218,959
Excess of Revenues Over (Under) Expenditures	2,566	(41,909)	(39,343)
Other Financing Sources (Uses)			
Operating Transfers In		58	58
Operating Transfers (Out)	(58)		(58)
Total Other Financing Sources (Uses)	(58)	58	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	2,508	(41,851)	(39,343)
Fund Balance--April 1, 2003	124,646	137,182	261,828
Fund Balance--March 31, 2004	\$ 127,154	\$ 95,331	\$ 222,485

The Notes to Financial Statements are an integral part of this statement.

LAIRD TOWNSHIP--HOUGHTON COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL--GENERAL AND SPECIAL REVENUE FUNDS
For the Year Ended March 31, 2004

EXHIBIT C

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$ 16,650	\$ 24,092	\$ 7,442		\$ 75,850	
State Grants	52,449	52,016	(433)		523	
Charges for Services	4,500	8,960	4,460		7,521	
Interest and Rents	-	2,602	2,602		1,677	
Other	-	2,200	2,200		4,175	
Total Revenues	73,599	89,870	16,271	\$ 60,000	89,746	\$ 29,746
Expenditures						
Legislative	8,000	4,872	3,128			
General Government	58,650	49,389	9,261			
Public Safety	2,300	1,292	1,008		12,880	
Public Works	33,500	26,658	6,842		106,530	
Health and Welfare			-		11,276	
Recreational and Cultural	4,100	3,396	704		969	
Other	59,705	725	58,980			
Capital Outlay	1,000	972	28			
Total Expenditures	167,255	87,304	79,951	60,000	131,655	(71,655)
Excess of Revenues Over (Under) Expenditures	(93,656)	2,566	96,222	-	(41,909)	(41,909)
Other Financing Sources (Uses)						
Operating Transfers In			-		58	58
Operating Transfers (Out)	(100)	(58)	(42)			-
Total Other Financing Sources (Uses)	(100)	(58)	(42)	-	58	58
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(93,756)	2,508	96,180	-	(41,851)	(41,851)
Fund Balance--April 1, 2003	119,205	124,646	5,441	-	137,182	137,182
Fund Balance--March 31, 2004	\$ 25,449	\$ 127,154	\$ 101,621	\$ -	\$ 95,331	\$ 95,331

The Notes to Financial Statements are an integral part of this statement.

LAIRD TOWNSHIP--HOUGHTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--REPORTING ENTITY

Laird Township is located in Houghton County and covers an area of 46 square miles. The township provides services to its residents in many areas including fire protection, community enrichment and development, and human services. Laird Township is a general law township governed by a 5-member board elected by the citizens of Laird Township. The township board consists of the supervisor, clerk, treasurer and two trustees whom reside in the community.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. There are no other units that should be included in the financial statements.

RELATED ORGANIZATIONS

Laird Township in conjunction with the Arvon, L'Anse and Baraga Townships as well as the Keweenaw Bay Tribal Community have entered into agreements with Bay Ambulance, Inc., to provide ambulance service to the citizens of the respective units. The local units of government do not participate in the operation of Bay Ambulance, Inc., other than the payment of a set rate of \$14.00 per citizen. Approximately 40% of the operating support for Bay Ambulance, Inc., was attributable to the townships and Keweenaw Bay Indian Community. The following is a summary of the amounts paid to Bay Ambulance, Inc.:

<u>Unit</u>	<u>Population</u>	<u>Payments</u>
Arvon Township	482	\$ 6,748
Baraga Township	1,813	49,588
L'Anse Township	3,926	54,964
Laird Township	634	8,876
Keweenaw Bay Indian Community		17,000

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Laird Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

LAIRD TOWNSHIP--HOUGHTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The accounts of the township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The financial activities of the township are recorded in separate funds and account groups categorized as follows:

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, State and Federal grants, and charges for services to provide for the administration and operation of: (1) general township boards and commissions; (3) law enforcement; and (4) public works. The fund includes the general operating expenditures of the township.

Special Revenue Funds

These funds are used to account for specific revenue (other than special assessments, expendable trusts, or major capital projects) derived from State and Federal grants, General Fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

FIDUCIARY FUNDS

Trust and Agency Funds

These funds are used to account for the assets held by a governmental unit as an agent for individuals, private organizations, other governmental units and/or funds. These funds include two agency funds.

LAIRD TOWNSHIP--HOUGHTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCOUNT GROUPS

General Fixed Asset Account Group

This account group is used to account for the township's fixed assets other than those accounted for in proprietary or trust funds. Public domain (infrastructure) general fixed assets, consisting of certain improvements other than buildings, are not capitalized.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of Laird Township conform to generally accepted accounting principles as applicable to governmental units.

Governmental Funds

The governmental fund types use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due.

Fiduciary Funds

The fiduciary funds are maintained on a cash basis, which is consistent with the accounting measurement objectives of the funds. Reporting this fund on a cash basis does not have an effect materially different from reporting it on the accrual or modified accrual basis as required by generally accepted accounting principles.

Cash, Cash Equivalents and Investments

Investments are recorded at cost. Demand deposits and short-term investments with a maturity date of 3 months or less when acquired are considered to be cash equivalents. Investments are stated at fair value based on quoted market prices.

Interest-Bearing Deposits

Interest-bearing deposits are recorded at cost. Interest earned is recorded as revenue when the investment matures or when credited by the financial institutions to the interest-bearing account.

LAIRD TOWNSHIP--HOUGHTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

Fixed assets of all funds are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are stated at their market value as of the donation date. Tangible assets, having a useful life in excess of one year are capitalized. Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group and are recorded as an expenditure in the fund purchasing the asset. Public domain (infrastructure) general fixed assets, consisting of certain improvements other than buildings, are not capitalized.

Depreciation of general fixed assets, which is not required by generally accepted accounting principles applicable to governmental units, is not provided.

Property Taxes

The township property tax is levied and collectible on each December 1st on the taxable valuation of property located in the township as of the preceding December 31st.

It is the township's policy to recognize revenues in the current year when the proceeds are budgeted and made available for the financing of township operations. Payment from the county for the 2003 delinquent taxes, which it purchased subsequent to March 31, is recorded as delinquent taxes receivable in the General Fund and Special Revenue Funds.

The 2003 taxable value of Laird Township amounted to \$10,175,694, on which ad valorem taxes of 1.2468 mills, \$12,723, were levied for township operating purposes, 1.9288 special voted mills, \$19,685, were levied for township fire, 0.9590 special voted mills, \$9,785 for road and ambulance purposes each. These taxes are recorded as revenue on township records in and for the fiscal year ended March 31, 2004.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

LAIRD TOWNSHIP--HOUGHTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total Memorandum Only

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation because interfund eliminations have not been made in the aggregation of this data.

NOTE C--LEGAL COMPLIANCE

Budgets and Budgetary Accounting

Public Act 2 of 1968, as amended, requires the legislative body to adopt a general appropriations act for the budget of the General Fund and each Special Revenue Fund. The act also requires that amendments be approved as needed to prevent actual expenditures from exceeding those provided for in the General Appropriations Act.

The township's budget policy provides for the board to conduct a public budget hearing and to adopt and control the General Fund budget at the activity level and Special Revenue Fund budgets at the functional level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

Excess of Expenditures Over Appropriations in Budgeted Funds

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

The township has not complied with certain provisions of Public Act 2 of 1968, as amended. Items of noncompliance are as follows:

	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
General Fund			
Board or Review	\$ 1,050	\$1,177	\$(127)

Legal Noncompliance/Violation of Finance Related Provision

Noncompliance with the Budgeting Act as required by PA 2 of 1968, as amended, (MCL 141.421 through MCL 141.440a): Expenditures exceeding appropriations and incomplete budgeting format.

LAIRD TOWNSHIP--HOUGHTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE D--CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The township has adopted an investment policy that includes all of the above types of investments in accordance with the requirements of Public Act 40 of 1943, as amended. The township's deposits are in accordance with statutory authority. The township board has designated two banks for the deposit of township funds.

Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the township's cash deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash on Hand	\$ 25	
Insured (FDIC)	144,504	\$ 144,540
Uninsured	<u>25,181</u>	<u>25,494</u>
Total Deposits	<u>169,710</u>	<u>170,034</u>

Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the township's investments are as follows:

<u>Investments</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Risk-Categorized #1		
Long-Term Certificates of Deposit	<u>\$ 50,891</u>	<u>\$ 50,891</u>
Total Investments	<u>50,891</u>	<u>50,891</u>
Total Cash and Investments	<u><u>\$220,601</u></u>	<u><u>\$220,925</u></u>

In accordance with GASB Statement No. 3, investments are classified as Category 1: Insured or registered, or securities held by the township or its agents in Laird Township's name.

LAIRD TOWNSHIP--HOUGHTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE E--FIXED ASSETS

A summary of changes in general fixed assets follows:

	Account Balances 04/01/03	Additions	Deductions	Account Balances 03/31/04
Land	\$ 11,000			\$ 11,000
Buildings	35,789			35,789
Equipment--Yard and Storage	14,542			14,542
Office Equipment and Furniture	23,275	\$ 972		24,247
Vehicles	<u>132,012</u>	<u> </u>	<u> </u>	<u>132,012</u>
Investment in General Fixed Assets	<u>\$216,618</u>	<u>\$ 972</u>	<u>\$ -</u>	<u>\$217,590</u>

NOTE F--INTERFUND RECEIVABLES AND PAYABLES

The amounts of the interfund receivables and payables are as follows:

<u>Fund</u>	Interfund <u>Receivable</u>	<u>Fund</u>	Interfund <u>Payable</u>
General	\$ 362	Trust and Agency	<u>\$ 1,015</u>
Road	163		
Fire	327		
Ambulance	<u>163</u>		
Total	<u>\$1,015</u>		<u>\$ 1,015</u>

NOTE G--POST-EMPLOYMENT BENEFITS

The township does not offer post-employment benefits to its employees or elected officials.

LAIRD TOWNSHIP--HOUGHTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H--RISK MANAGEMENT

The township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The township continues to carry commercial insurance for property, liability, wrongful acts, crime, inland marine, and other risks of loss including workers' compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

NOTE I--DEFERRED COMPENSATION

The township does not offer deferred compensation.

NOTE J--UPCOMING REPORTING CHANGE

For the year beginning April 1, 2004, the township will have to adopt GASB Statement No. 34 to be in compliance with accounting principles generally accepted in the United State of America. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant fund, as well as in total on the full accrual basis of accounting. Information is not available to present pro forma data that would show the effect of this future change.

LAIRD TOWNSHIP--HOUGHTON COUNTY
STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended March 31, 2004

EXHIBIT D

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Taxes and Penalties			
Current Property Taxes	\$ 8,000	\$ 14,562	\$ 6,562
Payments in-Lieu-of Taxes	8,000	7,226	(774)
Property Tax Administration	650	2,304	1,654
Total Taxes and Penalties	16,650	24,092	7,442
State Grants			
Revenue Sharing	52,449	52,016	(433)
Total State Grants	52,449	52,016	(433)
Charges for Services			
Solid Waste Removal	4,500	8,960	4,460
Total Charges for Services	4,500	8,960	4,460
Interest and Rents			
Interest Earned	-	2,412	2,412
Rent	-	190	190
Total Interest and Rents	-	2,602	2,602
Other Revenues			
Other	-	92	92
Reimbursements	-	2,108	2,108
Total Other Revenues	-	2,200	2,200
Total Revenues	\$ 73,599	\$ 89,870	\$ 16,271

LAIRD TOWNSHIP--HOUGHTON COUNTY
STATEMENT OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended March 31, 2004

EXHIBIT E

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Legislative			
Township Board	\$ 8,000	\$ 4,872	\$ 3,128
Total Legislative	8,000	4,872	3,128
General Government			
Supervisor	8,900	6,479	2,421
Elections	1,000	31	969
Assessor	11,000	8,016	2,984
Clerk	8,000	6,245	1,755
Board of Review	1,050	1,177	(127)
Treasurer	8,000	7,175	825
Building and Grounds	18,000	17,567	433
Cemetery	2,700	2,699	1
Total General Government	58,650	49,389	9,261
Public Safety			
Fire	800	792	8
Ambulance	500	500	-
Constable	1,000		1,000
Total Public Safety	2,300	1,292	1,008
Public Works			
Garage	27,000	20,680	6,320
Street Lighting	2,000	1,831	169
Refuse Collection	4,500	4,147	353
Total Public Works	33,500	26,658	6,842
Recreational and Cultural			
Recreation and Park Facilities	3,300	2,742	558
Library	800	654	146
Total Recreational and Cultural	4,100	3,396	704
Other			
Miscellaneous	31,900	642	31,258
Other--Payroll Taxes	100	83	17
Contingency	27,705		27,705
Total Other	59,705	725	58,980
Capital Outlay			
Office Equipment and Furniture	1,000	972	28
Total Capital Outlay	1,000	972	28
Total Expenditures	167,255	87,304	79,951
Other Financing Uses			
Operating Transfers (Out)			
Liquor Law Enforcement	100	58	42
Total Other Financing Uses	100	58	42
Total Expenditures and Other Financing Uses	\$ 167,355	\$ 87,362	\$ 79,993

LAIRD TOWNSHIP--HOUGHTON COUNTY
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
March 31, 2004

EXHIBIT F

	Road	Fire	Ambulance	Ottawa National Forest	Liquor Law	Nisula Church	Ice Rink	Total
<u>ASSETS</u>								
Cash	\$ 16,504	\$ 44,467	\$ 5,582	\$ 8,585		\$ 3,488	\$ 505	\$ 79,131
Investments						1,104	9,062	10,166
Taxes Receivable--Delinquent	1,566	2,557	1,270					5,393
Due From Other Funds	163	327	163					653
Total Assets	\$ 18,233	\$ 47,351	\$ 7,015	\$ 8,585	\$ -	\$ 4,592	\$ 9,567	\$ 95,343
<u>LIABILITIES AND FUND EQUITY</u>								
Liabilities								
Accrued Liabilities		\$ 12						\$ 12
Total Liabilities	\$ -	12	\$ -	\$ -	\$ -	\$ -	\$ -	12
Fund Equity								
Fund Balance								
Unreserved--Undesignated	18,233	47,339	7,015	8,585		4,592	9,567	95,331
Total Fund Equity	18,233	47,339	7,015	8,585	-	4,592	9,567	95,331
Total Liabilities and Fund Equity	\$ 18,233	\$ 47,351	\$ 7,015	\$ 8,585	\$ -	\$ 4,592	\$ 9,567	\$ 95,343

LAIRD TOWNSHIP--HOUGHTON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES--SPECIAL REVENUE FUNDS
For the Year Ended March 31, 2004

EXHIBIT G

	Road	Fire	Ambulance	Ottawa National Forest	Liquor Law	Nisula Church	Ice Rink	Total
Revenues								
Taxes	\$ 10,525	\$ 20,707	\$ 10,237	\$ 34,381				\$ 75,850
State Grants					\$ 523			523
Charge for Services	7,521							7,521
Interest and Rents	248	366	32	665		\$ 59	\$ 307	1,677
Other	1,282	339				2,305	249	4,175
Total Revenues	19,576	21,412	10,269	35,046	523	2,364	556	89,746
Expenditures								
Public Safety		12,299			581			12,880
Public Works	29,353			77,177				106,530
Health and Welfare			11,276					11,276
Culture and Recreation						23	946	969
Total Expenditures	29,353	12,299	11,276	77,177	581	23	946	131,655
Excess of Revenues Over (Under) Expenditures	(9,777)	9,113	(1,007)	(42,131)	(58)	2,341	(390)	(41,909)
Other Financing Sources (Uses)								
Operating Transfers In					58			58
Total Other Financing Sources (Uses)	-	-	-		58	-	-	58
Excess of Revenue and Other Sources Over Expenditures	(9,777)	9,113	(1,007)	(42,131)	-	2,341	(390)	(41,851)
Fund Balance--April 1, 2003	28,010	38,226	8,022	50,716	-	2,251	9,957	137,182
Fund Balance--March 31, 2004	\$ 18,233	\$ 47,339	\$ 7,015	\$ 8,585	\$ -	\$ 4,592	\$ 9,567	\$ 95,331

LAIRD TOWNSHIP--HOUGHTON COUNTY
COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS
March 31, 2004

EXHIBIT H

AGENCY FUNDS

	Trust and Agency	Tax Collection	Total
<u>ASSETS</u>			
Cash	\$ 37	\$ 9,466	\$ 9,503
Total Assets	\$ 37	\$ 9,466	\$ 9,503
<u>LIABILITIES</u>			
Liabilities			
Overpayments		\$ 18	\$ 18
Due to County		1,705	1,705
Due to Schools		1,164	1,164
Due to State		5,565	5,565
Due to Other Funds		1,014	1,014
Due to Others	\$ 37		37
Total Liabilities	\$ 37	\$ 9,466	\$ 9,503

LAIRD TOWNSHIP--HOUGHTON COUNTY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
For the Year Ended March 31, 2004

EXHIBIT I

	Balance 04/01/03	Additions	Deductions	Balance 03/31/04
<u>TRUST AND AGENCY FUND</u>				
Assets				
Cash		\$ 1,212	\$ 1,175	\$ 37
Total Assets	\$ -	\$ 1,212	\$ 1,175	\$ 37
Liabilities				
Overpayments		\$ 36	\$ 36	
Due to Others		129	92	\$ 37
Due to County		284	284	
Due to Schools		763	763	
Total Liabilities	\$ -	\$ 1,212	\$ 1,175	\$ 37
<u>TAX COLLECTION FUND</u>				
Assets				
Cash	\$ 12	\$ 144,452	\$ 134,998	\$ 9,466
Total Assets	\$ 12	\$ 144,452	\$ 134,998	\$ 9,466
Liabilities				
Overpayments	\$ 12	\$ 16	\$ 10	\$ 18
Due to Other Funds		47,335	46,321	1,014
Due to County		90,382	88,677	1,705
Due to Schools		1,164		1,164
Due to State		5,565		5,565
Total Liabilities	\$ 12	\$ 144,462	\$ 135,008	\$ 9,466



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

September 17, 2004

Township Board
Laird Township
P.O. Box 9
Nisula, Michigan 49952

RE: Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Board Members:

We have audited the general purpose financial statements of Laird Township as of and for the year ended March 31, 2004, and have issued our report thereon dated September 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether Laird Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. We noted certain immaterial instances of noncompliance, which we have reported to management in the attached Comments and Recommendations.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered Laird Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Comments and Recommendations Report.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we believe that all of the reportable conditions described above are material weaknesses.

This report is intended solely for the information of the township board, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', with a long horizontal flourish extending to the right.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

TOWNSHIP OF LAIRD

COMMENTS AND RECOMMENDATIONS

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect Laird Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is an internal control deficiency in which the design or operation of a component(s) of internal control does not reduce to a relatively low level the risk that a material misstatement may be contained in the financial statements.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be material weaknesses.

The township is relatively small in size. Therefore, there is an overall lack of segregation of duties which should be considered when reviewing the material and reportable weaknesses listed below. Segregation of duties requires that key duties and responsibilities be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.

MATERIAL WEAKNESSES

Treasurer--Preparation of Receipts

Condition: The township does not include the method of payment or account classification on its receipts.

Criteria: Strong internal controls provide for the reliability of financial reporting, safeguarding of vulnerable assets, accurate and timely reporting of transactions, access restrictions to and accountability for resources and records, and proper documentation of transactions. The Michigan Department of Treasury, Uniform Accounting Procedures Manual, sets forth the minimum internal controls that must be in place in every unit of government in Michigan as follows:

1. Official receipts are to be issued for each collection whether received from an individual, the state, the county, or another local unit department.
2. Numerically controlled (printer pre-numbered) three-part official receipts with the name of the local unit printed on the receipt must be issued for all collections.
3. The use of generic, store-bought receipts is strictly prohibited.
4. "Cash" or "check" as the method of payment must be indicated on the receipt.
5. The receipt must identify the individual receiving payment.

TOWNSHIP OF LAIRD

COMMENTS AND RECOMMENDATIONS

MATERIAL WEAKNESSES (Continued)

6. The receipt must allow for immediate revenue account classification in conformance with the Uniform Chart of Accounts.
7. Checks must be restrictively endorsed at the point and time of collection.
8. When possible, someone other than the person who writes receipts or posts the accounting records must be responsible to verify that collections received in the mail are properly receipted.
9. When possible, collections must be reconciled by an individual not involved in the receipting process.

All money must be turned over intact. Intact means that the deposit must include the checks and cash received for a specific numerically sequenced receipt group. Any overage and/or shortage amounts should be deposited and recorded separately along with the receipts. All voided receipts should be kept intact and maintained in sequential order along with the other receipts. Strong internal control activities require the maintenance of original source documentation to be kept intact. The Michigan Department of Treasury, Uniform Accounting Procedures Manual, states, in part, that: "if computerized receipts are issued, all receipts' triplicate copies should be printed and retained in numerical order."

Recommendation: We recommend that all cash issue receipts display the method of payment.

Township Board--General Fixed Assets

Condition: The township does not maintain adequate internal controls for fixed assets and a general fixed asset account group is not maintained in accordance with generally accepted accounting principles. There is a schedule that records a beginning balance of the fixed assets and current year additions, and an ending balance. However, the township could not provide a fixed asset listing that supports the balances.

The township has not adopted a capitalization policy to determine a "threshold" to capitalize an asset or record it as an expenditure.

Criteria: It is the responsibility of the township to update the fixed assets listing for additions and deletions. Assets purchased during the year and recorded as capital outlay should equal the additions to the fixed asset records. Disposals should equal the reductions to the fixed asset records.

TOWNSHIP OF LAIRD

COMMENTS AND RECOMMENDATIONS

MATERIAL WEAKNESSES (Continued)

Recommendation: We recommend that the township develop a property management system that includes all of the following steps:

- 1) An inventory of all fixed assets owned by the township should be taken and included in the permanent records of the township and updated annually.
- 2) All assets owned by the township should be permanently labeled in some manner such as individual tags. This will not only facilitate the inventory suggested above, but will also make it more difficult for assets of the township to be removed or used by unauthorized personnel.
- 3) As part of the property management system, the township should keep records on all assets owned by the township which includes the following information:

-Date of Acquisition	-Date of Disposal (when sold or scrapped)
-Tag Number	-Salvage Value (if any)
-Description of Property	-Life of Asset
-Original Cost of Asset	-Depreciation Method of the Asset
-Location of Asset	-Accumulated Depreciation of the Asset

- 4) Capital assets that meet the township's capitalization policy should be included on the capital asset listing.
- 5) Capital outlay/assets which are purchased under the established capitalization threshold or assets with life expectancy of less than 1 year, regardless of cost, should be classified as a supply or repairs and maintenance expenditure.

Developing a property management system that includes the above steps will not only facilitate the preparation of financial statements related to fixed assets and provide a system of protection for the assets, it will also provide an excellent record for insurance and replacement purposes as well. Governmental Accounting Standards Board (GASB) Statement No. 34 requires fixed assets to be included in the financial statements of the township. Compliance with GASB No. 34 is mandated for the township for fiscal year ending June 30, 2004 and after.

TOWNSHIP OF LAIRD

COMMENTS AND RECOMMENDATIONS

NONCOMPLIANCE WITH STATE STATUTES

Township Clerk--Liquor Law Enforcement Records

Condition: Laird Township receives state money to help enforce liquor laws. The township contracts its own police services to a constable, however, the monies get deposited to the general fund account.

Criteria: Liquor Law Enforcement revenue by law must be kept in a separate fund that is designated to liquor law enforcement.

Directive: We direct the township clerk to set up the Liquor Law Enforcement Fund (Fund 212) and record the related State monies and expenditures to that fund.

OTHER AREAS

Effective April 1, 2004, the township will have to implement several new accounting standards issued by GASB:

Statement No. 33, "Accounting and Financial Reporting for Non-Exchange Transactions," as amended by Statement No. 36, Recipient Reporting for Certain Shared Non-Exchange Revenues," which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting.

Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments," as amended by Statement No. 37, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments Omnibus," which established new financial reporting standards for state and local governments. This statement requires a significant change in the financial reporting model used by local governments, eliminating account groups and utilizing the full accrual basis of accounting and the economic resources measurement focus. Another significant change is the "Management Discussion and Analysis Section," which provides an overall analysis of the financial position and results of operations and conditions that could have a significant effect on the financial position or results of operations.

Statement No. 38, "Certain Financial Statement Note Disclosures," which requires certain note disclosures when implementing GASB Statement No. 34. Also to be implemented is Interpretation No. 6 Recognition and measurement of Certain Liabilities and Expenditures as of April 1, 2004.